



Department of Energy

Washington, DC 20585

August 9, 2002

MEMORANDUM FOR: FIELD CHIEF FINANCIAL OFFICERS

FROM:

HELEN O. SHERMAN, DIRECTOR *Helen O. Sherman*
OFFICE OF FINANCE AND ACCOUNTING POLICY

SUBJECT:

FY 2002 GRANT COST ACCRUAL ACTIONS

This is to address an audit finding the Department received on its FY 2001 financial statements which found that field offices were not following Departmental policy on grant cost accruals. Specifically, Departmental policy allows cost accruals to be made on a straight-line basis but requires offices to make adjustments at yearend to reflect actual costs. However, the auditors found that these adjustments were not being made. For the four grantees reviewed, the accounts payable balances were overstated by approximately \$7.3 million. The potential overstatement Department-wide could be significantly higher. Based upon this finding, the auditors expressed concern over the magnitude of this deficiency and have significantly expanded audit work in this area for the FY 2002 financial statements.

Field Offices must annually adjust their grant cost accruals to reflect actual costs for each grant with a total award over \$200,000. These adjustments should be made using the most recent cost information (e.g. SF 272, SF 269, or other cost reporting) submitted by the grantee. Due to the accelerated reporting and the timing of grantee quarterly cost reporting, this adjustment will need to be made prior to yearend with costs estimated through yearend. My office has been working this issue with several field offices who have already initiated actions to bring them into compliance. Please feel free to contact Lois Jessup for assistance, additional information and/or examples of what other offices have done.

Confirmation that grant cost accruals have been adjusted and are compliant with Department policy should be provided to the Office of Financial Policy by October 14, 2002. Your active participation and support are imperative to successful resolution and reliable financial statements. If you or your staff has any questions regarding this memorandum, please contact Lois Jessup at (202) 586-3959.



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